

27 January 1961

CUBA

- I. Cuban sugar production this year likely to be between 5.5 and 6 million tons.
- A. This about normal and compares with 5.7 last year and 5.8 in 1959; however, this crop, unlike those in recent past, will not be restricted in line with international export agreements for sugar.
1. This year's crop could be cut back--perhaps drastically--however, by increased sabotage of mills and canefields by anti-Castro activists.
 2. [REDACTED] show almost daily cane-field burning and other sabotage throughout island.
 3. Though burning off canefields is a usual part of harvesting--only dried refuse burns, leaving canestalks for easier harvesting--the cane must then be taken to mills within a few days or sugar content progressively decreases; thus simultaneous sabotage of mills would cause real loss.
 4. Lack of spare parts for mills has been a problem, but not generally serious since patching up can be done locally.
- B. There is ample labor for harvest with recent demobilization of militia.
1. Cuba's normal seasonal unemployment--about 700,000--probably even higher this year, despite Castro's claims to contrary.

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[REDACTED]

- [REDACTED]
2. Thirty of Cuba's 161 sugar mills began grinding by mid-January, only a few weeks later than usual start of grinding season, which usually extends to May.

C. Cuba assured of market in bloc for 4 million tons sugar.

1. Agreements with bloc call for payment to Cuba of 4 cents per lb. (compared with world market price of 3 cents and US market price of nearly 6 cents), but Soviet bloc price easily "adjusted" by manipulation of bloc prices for items sold to Cuba.
2. Castro says remaining 1.5 to 2 million tons will be sold on free world market and that if other producers expand production to take advantage of Cuba's loss of US market, it will be sold at sacrifice to ruin Cuba's competitors.

II. While Cuban-bloc agreements of past year have tied Cuba to the bloc economically, as well as politically, Cuba still depends on free world for some products.

A. These include refinery equipment, spare parts for vehicles and many appliances, consumer goods of many categories of quality and in quantities Cubans have become accustomed to.

1. US embargo of sales to Cuba in October excepted foodstuffs, medical supplies. However, some breeding bulls and hatching eggs have gone to Cuba as foodstuffs.
2. Extension of embargo to foods and medicines would cause real hardships, but would not by itself bring Castro down.

[REDACTED]

B. To get needed items in free world, Cuba needs foreign exchange, which in short supply.

1. Canada, a good potential source, demands cash on the barrel-head, as do others.

C. Largest potential source of dollar exchange now available to Cuba is from sale of tobacco, molasses, fruits, and vegetables to US, traditional market for these items.

1. Estimated \$75 to \$80 million would come in from these sales to US in 1961.

D. Another source of exchange comes from Soviet promise in February 1960 to pay 20% in cash (dollars) for first million tons of sugar from Cuba bought each year for five years.

1. At 4 cents per lb, this would amount to about \$16 million.

III. Legislative action to further extend controls against the Castro regime.

A. The embargo on US exports to Cuba, with the exception of foodstuffs and medicines and medical supplies, was decreed in October by the executive under authorization of the Mutual Defense Assistance Act of 1951. An extension of the embargo to include foods and medicines could be decreed under the same law.

B. The current sugar act expires on 31 March 1961; this law establishes quotas for sugar imports from the various sugar producing countries. Cuba normally sold to the US roughly a third of US sugar needs and had a higher quota in the Sugar Act than any other country. When the Sugar Act was extended by Congress in July 1960, Congress authorized the President to cut the Cuban quota to whatever extent deemed necessary through the first quarter of 1961.